

RECOMMENDATIONS FOR IMPROVING TAXPAYER COMPLIANCE AND DEPARTMENT ADMINISTRATION

TAXPAYERS' CONCERNS AND SUGGESTIONS TO THE DEPARTMENT

On June 17, 2003, the Indiana Department of Revenue conducted its annual public hearing in accordance with the Indiana Taxpayer's Bill of Rights. In accordance with state statutes, State Revenue Commissioner Kenneth L. Miller presided over the meeting with representation from all divisions within the Department. Taxpayers were provided the option of attending the hearing in person or submitting written comments. As in past years, the notice of the hearing was contained in the IT-40 Individual Income Tax Booklet.

Improvements

A taxpayer, who attended last year's hearing and is also a VITA volunteer, was in attendance this year to outline his concerns on several issues. He started by saying that he saw improvements from what was discussed last year, and offered further suggestions.

Motor Voter

A taxpayer thought the inclusion of voter registration materials in the IT-40 booklet is a waste of money. He has only found one person over the last several years who needed the materials. The Department is required by statute to include the registration materials in those tax booklets that are mailed annually to taxpayers.

Renter's Deduction

Some concern about the \$2,000 maximum renter's deduction was given. An example was used that if a couple lived apart because one spouse was working in another part of the state and renting an apartment, that couple would not be eligible for a renter's deduction for the apartment. Depending on the circumstances, that could be correct. As stated in the instructions for the IT-40 booklet, the rent must be for the "principal place of residence," which is defined as the place where a taxpayer has a true, fixed, permanent home and where a taxpayer intends to return after being absent.

VITA Sites

Concern was expressed about VITA sites where taxpayers can receive free assistance in completing their individual income tax forms during tax season. At issue was either the abundance or lack of specific tax forms at libraries. One in particular ran out of key forms during the first week of tax season and had a large amount of forms that weren't essential. It was pointed out that all libraries are responsible for ordering their own forms. A review of the form orders by the library in question shows that they ordered numerous types of forms, but ordered fewer of the main forms, such as the IT-40, compared to other libraries in the area.

Schedule 1

Questions arose about the need for Schedule 1 that accompanies the IT-40, the full-year individual income tax return. It appears, according to one taxpayer, that the only purpose for Schedule 1 for many taxpayers is the property tax deduction. With that in mind, the deduction should be moved to the return. In addition, it was suggested that Schedule 1 and Schedule D should be combined since they appear identical. It was pointed out that space on the IT-40 is at a premium. The good news is that the Legislature has agreed to eliminate information regarding the number of vehicles a taxpayer leases or owns. It is not known whether this will free up enough space to accommodate any additional lines. The Department will also review Schedule 1 and Schedule D.

Electronic Filing Incentives

An inquiry was made as to offering incentives to encourage electronic filing. It was pointed out that electronic filing (including barcoded paper returns) was up from last year and that almost two-thirds of all returns from the last tax season were filed electronically. It was also noted that Congress was looking at federal legislation that would extend the due date for electronic returns past the traditional April 15th deadline. The effect of the pending federal legislation on the states was not known.

Distribution of Tax Money

A letter was received from a Lake County taxpayer concerned that her tax money was going to pay for state workers and Indianapolis and was not being returned to her section of the state for education and public safety.

Military Service Deduction

Another letter was received expressing “disappointment” in Indiana’s tax treatment of military personnel. The taxpayer “was very discouraged” to learn the Indiana only offered a \$2,000 deduction for active military service while the neighboring State of Illinois “offered an exemption for the full amount of active military pay.” The current deduction is equal to the actual amount of military income received (i.e. military pay, retirement pay and/or survivor’s benefits) or \$2,000 whichever is *less*. In addition, military income earned while in a combat zone may be exempt at the federal level. If that income is exempt for federal purposes, it will not be taxed for Indiana income tax purposes.

IMPROVEMENTS IN THE TRAINING OF DEPARTMENT EMPLOYEES

PERSONNEL DIVISION

Overview

During the period of July 1, 2002, through June 30, 2003, the Training Team presented 91 classes to a total of 866 participants.

Accomplishments Highlights

Sessions were offered in the following topics:

- ABC’s of Discrimination for Employees
- Cultural Diversity
- Customer Service
- Myers-Briggs Type Indicator/Interpersonal Dynamics
- New Employee Orientation 101
- New Employee Orientation 102
- New Employee Orientation for Intermittent Employees
- Performance Appraisal
- RPS/AR
- Sexual Harassment Prevention for Employees
- Violence in the Workplace for Employees

New classes or newly revised classes included:

- ABC’s of Discrimination for Employees
- New Employee Orientation 102
- Sexual Harassment Prevention for Employees